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CORPORATION FILE

mangel stores

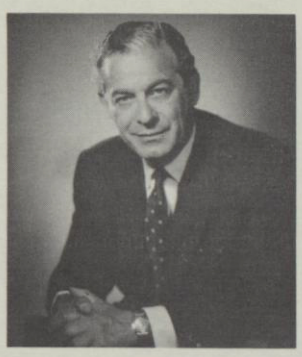
CORPORATION

ANNUAL
REPORT
1970

To Our Shareholders

It is a great pleasure to report to you that for the fiscal year ended January 31, 1970 we once again accomplished record sales and, most important, record profits. This performance was realized with three fewer units than in the previous year.

A few years ago, in my letter to our shareholders, I outlined a program to maximize profits and improve sales productivity per foot of store selling space. This was to be achieved by improving our merchandising techniques, refurbishing and enlarging existing stores, closing unprofitable locations, pursuing a stronger sales promotion program and emphasizing and promoting our own credit plan by expansion of charge accounts. This program has proven successful and we have accomplished our objective.



With the economy presently in a state of uncertainty, we are pursuing a policy of extreme caution and selectivity in opening new Shoppers Fair Discount stores. At the same time, however, we are aggressively expanding our Mangel's Specialty Store Division.

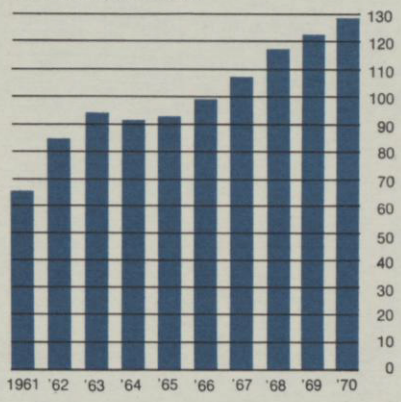
In the area of sales promotion we continue to show our leadership in mass merchandise distribution. Currently we are testing a program of highly professional television commercials in several market areas.

Contributing materially to the excellent results achieved is the stability and efficiency of our top and middle management organization. This cohesive group has developed into a unified and smoothly operating retail machine continually driving for greater productivity and profits.

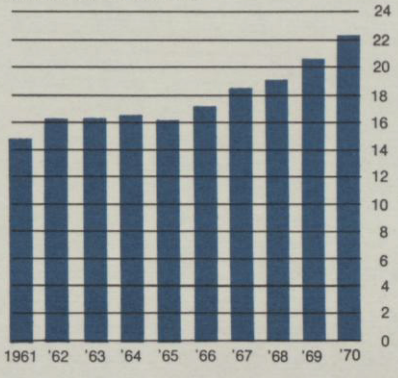
Earnings Net income before Federal income taxes and extraordinary items amounted to the record sum of $3,066,960 compared with $2,585,948 in the previous year, an improvement of $481,012 or 18.6%. Net income after taxes and extraordinary items, also a record, amounted to $1,961,960 or $1.46 per share, compared with $1,843,948, or $1.39 per share in the previous year (restated to give effect to the 3 for 2 stock split). The cash flow calculated by adding depreciation and amortization of $1,623,424 to the net income of $1,961,960, totaled $3,585,384 or $2.67 per share, compared with $2.61 per share in the previous year.

Sales Net sales, including rental income from licensed departments, amounted to the record sum of $129,949,954 this year compared with $122,149,813 last year, an increase of $7,800,141 or 6.3%. Total store sales which include sales of licensed departments, amounted to the record sum of $141,282,642, an increase of $4,580,472 over last year's sales of $136,702,170.

Sales
(in millions of dollars)



Shareholders' Equity
(in millions of dollars)



Financial Condition Our financial condition remains strong as shown by the Balance Sheet on Pages 6 and 7. The changes in working capital are accounted for as follows:

ADDITIONS TO WORKING CAPITAL:	
Net income for the year	$1,961,960
Depreciation and amortization not requiring outlay of funds	1,623,424
Proceeds of sale of stock options	129,814
Other — net	361,019
Total	4,076,217
DEDUCTIONS FROM WORKING CAPITAL:	
Cash dividends	357,973
Purchase of fixed assets — net	892,746
Reduction in long-term debt	1,547,664
Total	2,798,383
Net increase in Working Capital	$1,277,834

Stock Split And Dividends Four quarterly cash dividends of $.10 each were declared and paid during the year, a total of $.40, and a 3 for 2 stock split was effected on December 15, 1969. A cash dividend of $.07½ per share was declared and paid on the new stock on March 16, 1970, representing an increase of cash dividends of 12½%. We intend to continue dividend payments as warranted by earnings and consistent with the requirements of the Company.

Expansion During the fiscal year, ten Mangel and Shoppers Fair stores were refurbished, one new store was opened, and two stores were replaced, one of which was destroyed by fire in 1968. Since the close of the fiscal year, one new store was opened, two are due to be opened within the next few months, leases for five new stores have been approved of which two have been concluded and leases for the enlargement of three Shoppers Fair stores have been finalized to add some 50,000 square feet of store space.

Again, we wish to acknowledge our appreciation to our employees, suppliers, and shareholders for their continued cooperation.

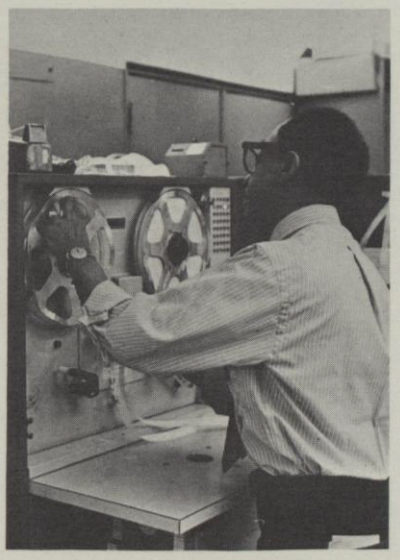
May 4, 1970

Jared L. Lowenthal
President

Mangels Data Processing Installation

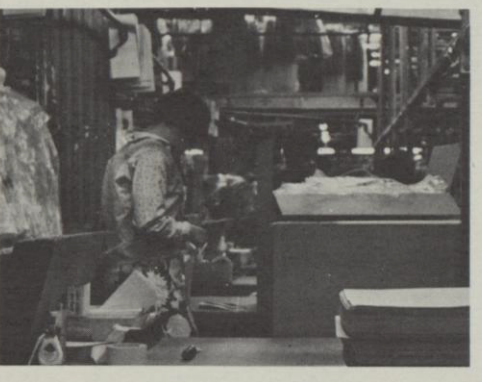
For over 10 years Mangels has pioneered in the field of retail data processing. A continued updating of IBM equipment and techniques has been responsible for disseminating more and more vital statistical information faster and with more accuracy.

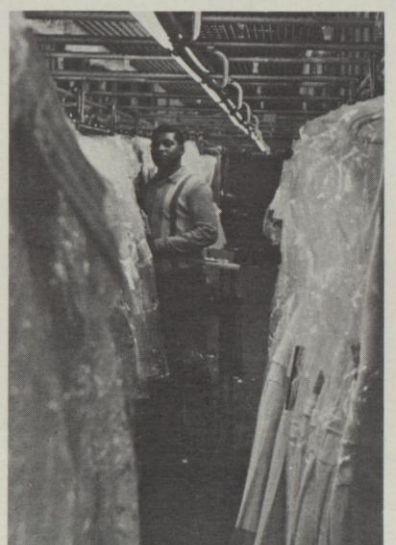
Style reports, accounts payable, merchandise distribution, departmental sales reports and charge account billing are just a few areas in which this sophisticated data processing installation operates. This entire tabulating and processing complex is located in the New York headquarters building.



Merchandise Distribution Center

Located in the Mangel headquarters building, the modern distribution center occupies over 140,000 square feet on five floors. Through these facilities thousands upon thousands of units are received and re-distributed to Mangel and Shoppers Fair stores throughout the country . . . within hours.





Highlights

Income Data	1970	1969
Net Sales, Including Rental Income from Licensed Departments	$129,949,954	$122,149,813
Income before Federal Income Taxes and Extraordinary Item	3,066,960	2,585,948
Federal Income Taxes	1,223,000	986,000
Income before Extraordinary Item	1,843,960	1,599,948
Extraordinary Item	118,000	244,000
Net Income	1,961,960	1,843,948
Cash Dividends	357,973	334,782
Stock Dividends	—	1,092,511
Number of Stores and Licensed Department Locations	147	150
Balance Sheet Data		
Current Assets	$ 39,661,226	$ 35,389,648
Current Liabilities	18,129,089	15,135,345
Net Working Capital	21,532,137	20,254,303
Current Ratio	2.2	2.3
Accounts Receivable — net	$ 11,660,628	$ 8,563,634
Merchandise Inventories	24,912,891	22,188,538
Fixed Assets — net	12,100,490	12,831,168
Long-Term Debt	11,712,675	13,260,339
Shareholders' Equity	22,319,949	20,586,148
Per Share Data*		
Income Before Extraordinary Item	$1.37	1.20
Extraordinary Item	.09	.19
Net Income	1.46	1.39
Cash Dividends	.27	.25
Stock Dividends	—	6%
Book Value	$16.55	$15.45

*Per share data for 1969 has been retroactively adjusted for the 3 for 2 stock split distributed in December, 1969.

Mangel Stores Corporation **and Subsidiaries**

Ten Year Summary of Progress

Fiscal years ended (approximately) January 31

Income Data	**1970**	**1969**
Net Sales, Including Rental Income from Licensed Departments	$129,949,954	$122,149,813
Income before Federal Income Taxes and Extraordinary Items	3,066,960	2,585,948
Federal Income Taxes	1,223,000	986,000
Income before Extraordinary Items	1,843,960	1,599,948
Extraordinary Items	118,000	244,000
Net Income	1,961,960	1,843,948
Cash Dividends	357,973	334,782
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Per Share Data*		
Income before Extraordinary Items	$ 1.37	$ 1.20
Extraordinary Items	.09	.19
Net Income	1.46	1.39
Cash Dividends	.27	.25
Stock Dividends	——	6%
Book Value (on adjusted shares outstanding at the end of each respective year)	$16.55	$15.45

1968	1967	1966	1965	1964	1963	1962	1961
$117,451,430	$107,572,031	$99,214,954	$92,995,050	$90,240,174	$93,907,125	$84,664,098	$65,096,448
1,345,814	1,877,559	1,507,601	(9,364)	1,691,651	1,463,767	2,314,523	2,237,379
436,000	791,000	626,000	349,000	594,000	577,030	837,908	833,000
909,814	1,086,559	881,601	(358,364)	1,097,651	886,737	1,476,615	1,404,379
106,000	276,000	206,000	93,290	29,584	——	——	——
1,015,814	1,362,559	1,087,601	(265,074)	1,127,235	886,737	1,476,615**	1,404,379
321,088	308,176	75,492	217,883	871,590	870,992	850,830	822,906
514,605	377,927	205,716	360,607	——	——	——	——
153	156	157	164	164	167	162	132
$ 33,937,200	$ 29,338,207	$27,816,655	$22,616,333	$22,991,649	$21,496,514	$19,251,066	$14,596,020
14,664,460	14,433,599	11,712,443	7,134,077	6,990,734	5,213,402	6,358,555	3,882,771
19,272,740	14,904,608	16,104,212	15,482,256	16,000,915	16,283,112	12,892,511	10,713,249
2.3	2.0	2.4	3.1	3.3	4.1	3.0	3.8
$ 8,256,458	$ 7,485,040	$ 7,024,533	$ 5,178,013	$ 4,735,326	$ 4,212,776	$ 2,793,528	$ 2,964,310
21,805,037	18,168,763	16,384,279	13,558,696	15,858,721	13,101,138	11,384,452	7,393,154
13,801,638	13,137,850	11,534,258	11,740,621	12,026,100	12,323,977	11,288,156	10,174,228
14,755,457	10,400,584	11,140,339	12,194,140	12,967,054	13,684,635	8,944,040	6,827,390
19,057,289	18,341,861	17,273,688	16,260,312	16,752,597	16,495,658	16,389,968	14,930,984
$ .69	$ .82	$ .67	($.27)	$ .83	$ .67	$ 1.12	$ 1.12
.08	.21	.15	.07	.02	——	——	——
.77	1.03	.82	(.20)	.85	.67	1.12	1.12
.24	.23	.06	.17	.66	.66	.66	.66
4%	4%	2%	4%	——	——	——	——
$14.33	$13.83	$13.05	$12.28	$12.65	$12.45	$12.41	$11.81

*Based on average number of shares outstanding adjusted retroactively for stock dividends and a 3 for 2 stock split distributed in December, 1969.

**Excludes special credit of $127,587 which has been reclassified to Retained Earnings.

Certain income and Federal income tax amounts shown above for the years 1964 through 1968 have been restated from amounts previously reported. Such changes are the result, generally, of retroactive application to applicable years of "special items" for the years 1965 and 1966 and the restatement of Federal income taxes to conform to the treatment now recommended by the Accounting Principles Board of the American Institute of Certified Public Accountants. Amounts prior to 1964 have not been so adjusted.

Mangel Stores Corporation and Subsidiaries

Consolidated Balance Sheet

As at January 31, 1970 - February 1, 1969

Assets

	1970	1969
Current Assets:		
Cash	$ 1,991,338	$ 2,580,028
Short-term investments — at cost, plus amortized discount	305,116	842,965
Accounts receivable—trade, less reserves for doubtful accounts of $501,349 and $356,892, respectively	11,660,628	8,563,634
Miscellaneous receivables	460,833	544,735
Merchandise inventory—at the lower of cost or market, based upon the retail method of inventory valuation	24,912,891	22,188,538
Prepaid expenses	330,420	669,748
Total Current Assets	39,661,226	35,389,648
Other Assets (including estimated refunds of Federal income taxes of $30,486 and $169,850, respectively)	182,616	332,001
Fixed Assets — at cost — Note A:		
Land	1,325,475	1,325,475
Buildings — less reserve for depreciation of $1,798,020 and $1,638,371, respectively	2,874,631	3,032,707
Furniture, fixtures, equipment and leasehold improvements, less reserves for depreciation and amortization aggregating $8,538,133 and $7,886,557, respectively	7,900,384	8,472,986
	12,100,490	12,831,168
Deferred Charges	461,534	626,397
Goodwill	1	1
	$52,405,867	$49,179,215

The accompanying notes are an integral part of this statement.

Liabilities

	Shares		1970	1969
Current Liabilities:				
Current portion of long-term debt — Note A			$ 1,547,928	$ 1,503,421
Accounts payable — merchandise			12,514,472	9,826,263
Accrued expenses and sundry liabilities			2,772,027	2,686,821
Customers deposits and credits			235,009	262,470
Reserve for Federal income taxes — Note D			1,059,653	856,370
Total Current Liabilities			18,129,089	15,135,345
Long-Term Debt, less current portion — Note A			11,712,675	13,260,339
Deferred Compensation			244,154	197,383
Total Liabilities			30,085,918	28,593,067
Shareholders' Equity — Notes A, B and D:	**Shares**			
Common Stock — par value $1 per share:	**1970**	**1969**		
Authorized	2,000,000	2,000,000		
Issued	1,365,852	905,081	1,365,852	905,081
Less: Treasury stock	16,927	16,927	16,927	16,927
Outstanding	1,348,925	888,154	1,348,925	888,154
Capital Surplus			6,002,597	6,333,554
Retained Earnings			14,968,427	13,364,440
			22,319,949	20,586,148
			$52,405,867	$49,179,215

Consolidated Statement of Income and Retained Earnings

For the year (52 weeks) ended January 31, 1970 - February 1, 1969

	1970	1969
Net sales, including rental income from licensed departments	$129,949,954	$122,149,813
Deduct:		
Cost of sales, including occupancy expenses	95,072,643	90,776,304
General, administrative and selling expenses, less service charges on customers' accounts	29,737,436	26,732,830
Depreciation and amortization (computed generally on straight line method)	1,623,424	1,626,346
	126,433,503	119,135,480
	3,516,451	3,014,333
Other deductions — net (including interest expense of $1,059,430 and $1,047,801, respectively)	449,491	428,385
Income before items shown below	3,066,960	2,585,948
Federal income taxes — Note D	1,223,000	986,000
Income before extraordinary item ($1.37 and $1.20 per share, respectively — Note E)	1,843,960	1,599,948
Extraordinary item — Credits equivalent to reduction in Federal income taxes resulting primarily from use of net operating loss carryforwards and investment tax credit carryforwards ($.09 and $.19 per share, respectively)	118,000	244,000
Net income ($1.46 and $1.39 per share, respectively — Note E)	1,961,960	1,843,948
Retained Earnings at the beginning of the year	13,364,440	12,947,785
	15,326,400	14,791,733
Deduct:		
Cash dividends	357,973	334,782
Stock dividend		1,092,511
	357,973	1,427,293
Retained Earnings at the end of the year — Notes A and D	$ 14,968,427	$ 13,364,440

The accompanying notes are an integral part of this statement.

Notes to Financial Statements

As at January 31, 1970

Note A — Long-Term Debt:

Long-term debt consists of the following:

	Total	Due in one year	Due after one year
Notes payable — banks, maturing in varying annual installments between February 1970 and 1973, with quarterly interest at 3/4% in excess of prime commercial rates	$ 4,500,000	$ 500,000	$ 4,000,000
5.80% Note payable — insurance company, payable in annual installments of $750,000 through January 15, 1978	6,000,000	750,000	5,250,000
4% to 6% Mortgages payable in installments to 1984	2,561,322	198,287	2,363,035
Liability (including finance charges) for purchase of equipment, collateralized by the related equipment	199,281	99,641	99,640
	$13,260,603	$1,547,928	$11,712,675

Land and buildings with a net book amount of $4,097,537 as at January 31, 1970, together with intercompany and other leases, are pledged as collateral for mortgages payable.

Agreements with banks and the insurance company contain, among other matters, covenants which require the maintenance of at least a specified amount of minimum consolidated working capital and provide restrictions on the payment of dividends (other than stock dividends) and acquisition of the Company's capital stock. As at January 31, 1970, approximately $1,150,000 was available for such purposes under the most restrictive of these covenants.

Note B — Shareholders' Equity:

In November 1969, the Board of Directors authorized a three-for-two stock split.

Changes in Common Stock and Capital Surplus are summarized as follows:

	Common Stock	Capital Surplus
Balance at beginning of year	$ 905,081	$6,333,554
Credits/(charges) arising from:		
Exercise of stock options	11,129	118,685
Three-for-two stock split	449,642	(449,642)
Balance at end of year	$1,365,852	$6,002,597

The Company has a 1964 stock option plan ("1964 Plan") and a 1967 stock option plan ("1967 Plan") pursuant to which options may be granted to officers and key employees at prices which are not less than fair market prices at dates of grant. The 1964 Plan is for 37,410 shares and the 1967 Plan (adjusted for stock dividends) is for 74,685 shares of Common Stock, both after giving effect to the three-for-two stock split referred to above. Under the plans, options are exercisable 25% a year (on a cumulative basis) commencing one year from date of grant and expire five years from date of grant.

Changes in the status of these options are summarized as follows:	1964 Plan	1967 Plan
Shares under options, beginning of year	16,280	37,218
Options granted	4,000	6,500
Options terminated		(1,437)
Options exercised	(8,590)	(2,539)
	11,690	39,742
Three-for-two-stock split	5,845	19,855
Shares under option, end of year	17,535	59,597
Shares available for option, end of year	180	10,575

Option prices, after adjustment for stock split, range from $7.00 to $15.83 per share.

Note C — Lease Commitments:

As at January 31, 1970, the minimum annual rentals on real property under leases then in force, exclusive of intercompany rentals, amounted to approximately $4,067,000, including approximately $31,000 applicable to four lessors in which certain officers and directors have interests. Approximate aggregate minimum annual rentals are set forth below:

Leases terminating during period:	Amount
From February 1, 1970 to January 31, 1979	$1,283,000
From February 1, 1979 to January 31, 1989	2,373,000
From February 1, 1989 to April 30, 2006	411,000

Certain lease agreements provide for additional rentals based upon sales or for payment of real estate taxes, insurance, etc.

Note D — Federal Income Taxes:

The Company and its subsidiaries file separate Federal income tax returns and, accordingly, avail themselves of multiple surtax exemptions. The use of such exemptions, among other matters, resulted in a consolidated provision for Federal income taxes at a rate of approximately 40% for the year ended January 31, 1970. The Federal Tax Reform Act of 1969, which became law December 30, 1969, provides, as it pertains to the Company and subsidiaries, for the elimination of multiple surtax exemptions ratably over a six-year period commencing during the next fiscal year.

Consolidated Retained Earnings include undistributed earnings of subsidiaries which may be subject to income taxes if and when distributed in the form of dividends.

Note E — Earnings Per Share:

Net income per share is based on the average number of shares outstanding during the year after giving retroactive effect to the three-for-two stock split referred to in Note B. Exercise of stock options would have no material dilutive effect on such earnings per share.

Accountants' Report

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at January 31, 1970, and the related consolidated statement of income and retained earnings for the year (52 weeks) then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of income and retained earnings present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 31, 1970 and the consolidated results of their operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
April 10, 1970

S. D. Leidesdorf & Co.

Mangel Stores Corporation

Sol Mangel, *Honorary Chairman of the Board of Directors*

Directors

Herbert J. Deitz
Israel A. Diamond
Joseph A. Hannan, Jr.
Sanford S. Jaffe
Maurice N. Jaffe
George M. Jaffin
Al Klein
Emanuel Mangel
Henry H. Rice
Jared L. Rosenthal
Frederick H. Schroeder

Officers

Jared L. Rosenthal
President

Israel A. Diamond
Vice-President

Al Klein
Vice-President and Treasurer

Sanford S. Jaffe
Vice-President
Director of Polly Perrey Division

Maurice N. Jaffe
Vice-President
Director of Polly Perrey Division

Emanuel Mangel
Assistant Treasurer and Secretary

Lawrence Schaen
Vice-President
General Merchandise Manager, Soft Lines

Ira Shain
Vice-President
General Merchandise Manager, Hard Lines

B. Robert Rosthal
Vice-President and Assistant Secretary

Maurice Mantel
Vice-President and Assistant Secretary
Director of Construction and Real Estate

Richard Gilbert
Vice-President
Director of Sales Promotion

Harry Maer
Vice-President
Supervisor of Store Operations

David M. Diamond
Vice-President and Assistant Secretary

Counsel Cole & Deitz, New York, N. Y.

Auditors S. D. Leidesdorf & Co., New York, N. Y.

Transfer Agent Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, N .Y. 10007

Registrar Manufacturers Hanover Trust Company, 40 Wall Street, New York, N. Y. 10015

Store Planning and Development

The expansion and remodeling of both Mangel specialty stores and Shoppers Fair discount stores is planned and conceived in the headquarters installation in New York.

New stores were opened in Fort Worth, Texas, Elizabeth City, North Carolina, St. Louis, Missouri, and Dothan, Alabama. A continuing program is already in full swing for 1970.

Mangel Stores Corporation

147 Store and Leased Department Locations

Alabama
Anniston
Birmingham
Decatur
Florence
Huntsville (2)
Mobile (2)
Montgomery
Prichard
Selma
Tuscaloosa

Arkansas
Fort Smith
Hot Springs
Little Rock
Pine Bluff (2)

Connecticut
Bridgeport
South Norwalk

Delaware
Wilmington

Florida
Jacksonville
Key West
Miami (2)
Orlando
Panama City
Pensacola (3)
Tallahassee
Tampa

Georgia
Atlanta
Augusta
Columbus
Macon
Savannah
Thomasville
Valdosta

Illinois
Danville
Kankakee
Quincy

Indiana
Columbus
Evansville
Gary
Indianapolis (2)
Lafayette
Marion
Michigan City
South Bend

Iowa
Clinton
Des Moines

Kentucky
Paducah
Shively

Louisiana
Baton Rouge (3)
Crowley
Lafayette
New Iberia
New Orleans
Opelousas

Maryland
Randallstown
Salisbury

Michigan
Adrian
Battle Creek
Benton Harbor
Detroit (4)
Flint
Holland
Jackson
Lansing
Saginaw

Minnesota
St. Paul

Mississippi
Greenville
Jackson
Meridian
Natchez

Missouri
St. Louis (3)
Springfield

New Jersey
Pennsauken
New Shrewsbury
Trenton

New Mexico
Santa Fe

New York
Brooklyn
Kingston
Middletown
Newburg (2)
Peekskill (2)
Rochester
Syracuse (2)

North Carolina
Asheville
Elizabeth City
Greensboro
Raleigh

Ohio
Canton (2)
Columbus
Dayton (2)
Lancaster
Zanesville

Oklahoma
Tulsa

Pennsylvania
Altoona
Chester
Clifton Heights
Horsham
Scranton

South Carolina
Aiken
Charleston
Columbia
Spartanburg

Tennessee
Chattanooga
Jackson
Johnson City
Memphis

Texas
Amarillo
Baytown
Beaumont
Big Spring
Borger
Brownwood
Corpus Christi (2)
Dallas
Fort Worth
Galveston
Harlingen
Houston (2)
McAllen
Midland
San Antonio
Texarkana

Virginia
Lynchburg

West Virginia
Charleston
Huntington

Wisconsin
Green Bay
Oshkosh

mangel stores

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